

The complaint

Mr A complains that Tesco Personal Finance PLC ('Tesco'), trading as Tesco Bank, irresponsibly agreed to give him two credit card accounts that he says he couldn't afford.

What happened

In February 2023 Mr A was accepted for a credit card with Tesco and given a credit limit of £2,500.

Then, in September 2023, he was accepted for a second card with Tesco and given a credit limit of £5,800.

Mr A has complained to Tesco to say that neither account should've been opened for him. This was because they were both unaffordable. He says this was something Tesco should have realised from when it carried out its checks.

Our investigator didn't think the complaint should be upheld. But she noted that Tesco should have carried out better checks before granting the second card.

Since Mr A doesn't agree with our investigator's findings, his complaint has been passed to me for a decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've explained how we handle complaints about unaffordable and irresponsible lending on our website. And I've used this approach to help me decide Mr A's complaint.

I've read and considered the whole file, but I'll confine my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've failed to consider it but because I don't think I need to comment on it in order to reach what I think is the right outcome in the wider context. My remit is to take an overview and decide what's fair "in the round".

Tesco needed to make sure that it didn't lend irresponsibly. In practice, what this means is Tesco needed to carry out proportionate checks to be able to understand whether Mr A could afford to repay before agreeing to any credit. Our website sets out what we typically think about when deciding whether a lender's checks were proportionate. Generally, we think it's reasonable for a lender's checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower's income was low, or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of

it becoming unsustainable and the borrower experiencing financial difficulty. So, we'd expect a lender to be able to show that it didn't continue to lend to a customer irresponsibly.

It's with these considerations in mind that I've looked into Tesco's two decisions to lend to Mr A, first in February 2023 and then in September 2023.

First account opening – February 2023

Tesco has explained that it relied in part on information that Mr A provided at the time he made his application for its checks. It also looked into his credit record and then went on to make an affordability calculation.

Tesco accepted what Mr A told them on his application, saying that he was in full time employment and receiving a net monthly income of £2,230. Tesco's credit search showed that Mr A owed around £4,000 in debt, made up of a loan of £1,350 and the rest in credit cards or similar credit, known as revolving credit. This was done to help Tesco understand how he had been managing his debt and to see if there were any adverse markers in his credit history. Based on these checks, Tesco was then able to make an assessment of the likely affordability of the credit, using its own scoring metric. The credit check showed Mr A as being up to date with his credit repayments with no recent payment issues. When I say this, I mean that Mr A's management of his existing credit showed no recent adverse history, such as late payments or account defaults.

In terms of affordability, Tesco relied on statistical data to calculate what Mr A's household costs alongside his committed credit costs were likely to be. Based on his level of income and likely household costs alongside repaying his existing credit, Tesco found that the new account looked to be affordable and that Mr A would likely be able to afford to manage and sustainably repay the new credit, having sufficient disposable income to be able to do so.

I think at this point Tesco had little reason to make further enquiries into Mr A's spending, based on what the checks showed. I therefore don't think Tesco was put on notice of any reason not to agree the lending, or that better checks were needed. It follows that I don't think Tesco acted unfairly when approving the first account.

Second account opening – September 2023

Our investigator thought that Tesco should have carried out further checks for the second account and I can see why. At this point Mr A was declaring a net annual income of £2,740 from employment. But when Tesco looked at his level of credit with other lenders, it found it had gone up from around £4,000 to around £6,000 – a substantial increase. Tesco was about to agree a credit limit that would give Mr A access to a further £3,300 in credit. For Mr A to be able to make sustainable monthly repayments towards this level of debt, if used, would take a fairly significant proportion of his income – being around £600 based around 5% monthly repayments. I agree it therefore would have been proportionate for Tesco to have got a better understanding of Mr A's financial circumstances before agreeing to the new card.

I've looked at Mr A's credit report, which gives us an indication of Mr A's financial situation at the time in terms of credit and debt. I've noted that Mr A had taken out three new credit cards at around the same time as this account. That's definitely a concern as it suggests he was at risk of becoming over-reliant on credit. However, in order to make a finding about Tesco's decision to lend I have to look at the information that was available to Tesco at the time it made its lending decision rather than applying hindsight. Tesco was not made aware – and couldn't reasonably have been expected to be aware - of this other new borrowing at the same time as Mr A was applying for this second card.

Mr A has also provided us with bank statements from the months leading up to the second account being granted. I've reviewed these – as did our investigator – to try and establish what Tesco might have found had it looked to gain a better understanding of Mr A's regular committed expenditure alongside his credit payments. I've also seen that Mr A kept his account in credit.

It seems that Mr A had sufficient disposable income available to him each month to allocate towards sustainably meeting payments on the new card. Mr A's actual situation wasn't quite as it appeared from his application in relation to what he'd said about receiving employment income. His main source of income was from a state benefit he's told us he'd been receiving since 2020. He also says that his mother's income was being paid into his account. This may well be one explanation as to why the checks found that Mr A's income was consistent with what he'd said in his application.

Mr A told our investigator that he made a monthly contribution towards household costs. He hasn't confirmed exactly how much this was and it isn't clear from looking at the bank statements. Our investigator suggested that it looked to be around £50. Mr A hasn't disputed this. Mr A has also explained that payments for rent went from his account into his mother's account.

But I think the wider question to consider is whether the new credit would have still looked to be unaffordable to Tesco had it carried out better checks. On the basis that there is evidence supporting his declared level of income and little to show or suggest that Mr A was at risk of experiencing financial difficulties, I can't say that Tesco made an unfair decision to lend to him. Also, from the evidence we've seen, even if Tesco had been made aware of Mr A's actual income situation and had been prompted to carry out more detailed checks, I don't necessarily think it would have made a different lending decision given that Mr A's income looked to be enough to service his existing credit, he was in the main managing his account well and also appeared to have some disposable income available.

I would add that both cards look to have been taken out with the benefit of a promotional transfer rate, enabling Mr A to take advantage of it and reduce some of his credit burden in terms of paying interest on what he owed, at least for a temporary period.

It follows that I'm not persuaded that for either new card account Tesco made a decision to lend that was unfair.

I know that Mr A will be disappointed with my finding. I would add that I am sorry to learn of his difficult personal situation and the challenges he and his mother have recently been experiencing.

I've also considered whether the relationship between Mr A and Tesco might have been unfair under Section 140A of the Consumer Credit Act 1974. However, for the reasons I've already given, I don't think Tesco lent irresponsibly to Mr A or otherwise treated him unfairly. I haven't seen anything to suggest that Section 140A or anything else would, given the facts of this complaint, lead to a different outcome here.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 11 June 2025.

Michael Goldberg

Ombudsman